

Message Text

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DEPT PASS EXIM FOR MINIKES

E.O. 11652: N/A

TAGS: EAID, EMIN, ETRD, JA

SUBJECT: JAPAN'S EXPORT-IMPORT BANK TO PROVIDE LOANS TO JAPANESE
ENTERPRISES FOR IMPORT OF CERTAIN COMMODITIES FROM
DEVELOPING COUNTRIES

1. JAPAN'S MINISTRY OF FINANCE, MINISTRY OF INTERNATIONAL
TRADE AND INDUSTRY, AND EXPORT IMPORT BANK HAVE AGREED TO
INITIATE A PROGRAM OF SEMI-CONCESSIONAL EXIM AND CITY BANK
LOANS TO JAPANESE ENTERPRISES TO FINANCE THE IMPORTATION
FROM DEVELOPING COUNTRIES OF EIGHT DESIGNATED COMMODITIES
ARRIVING AT JAPANESE PORTS ON OR AFTER SEPTEMBER 15:
BAUXITE, NICKEL, MOLYBDENUM, TUNGSTEN, LEAD, ZINC, PULP,
AND COPPER. (SUCH LOANS HAD BEEN PROVIDED TO FINANCE
IMPORTATION OF COPPER SINCE JFY 1974.)

2. EXIM WILL EXTEND A TOTAL OF 28 BILLION YEN (APPROX 94
MILLION DOLLARS AT 298 YEN/DOLLAR) IN LOANS FOR THIS
PURPOSE, OF WHICH 17 BILLION YEN (57 MILLION DOLLARS)
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WILL BE EARMARKED FOR COPPER IMPORTS. EXIM LOANS WILL

BE AT 8 PERCENT AND REPAYABLE IN ONE YEAR. CITY BANKS WILL EXTEND A TOTAL OF 14.6 BILLION YEN (ABOUT 50 MILLION DOLLARS) IN LOANS, OF WHICH 7.3 BILLION YEN (ABOUT 25 MILLION DOLLARS) IS EARMARKED FOR COPPER. RATIO OF MIXED EXIM-CITY BANK LOANS WILL THUS BE 70-30 FOR COPPER AND 60-40 IN CASE OF OTHER SEVEN COMMODITIES. AVERAGE RATE FOR MIXED LOANS EXPECTED TO BE UNDER 9 PERCENT, COMPARED TO PREVAILING CITY BANK RATES AROUND 9.5 PERCENT.

3. EMBASSY COMMENT: RECESSION IN JAPAN MANIFESTING ITSELF IN DECREASING DEMAND FOR IMPORTS HAS DEALT HARD BLOWS TO ECONOMIES OF NEIGHBORING ASIAN DEVELOPING COUNTRIES HEAVILY DEPENDENT ON JAPANESE MARKETS FOR THEIR EXPORTS. DROP IN JAPANESE DEMAND FOR PHILIPPINE COPPER, FOR INSTANCE, DEVELOPED INTO SIGNIFICANT BILATERAL PROBLEM. NEW LOAN PROGRAM IS BEING TOUTED BY JAPANESE AS MEASURE TO SUSTAIN EXPORTS AND FIGHT RECESSION IN LDC'S, ESPECIALLY NEIGHBORING ASIAN COUNTRIES. COMMODITIES INCLUDED IN PROGRAM ARE IN FACT OF PARTICULAR IMPORTANCE TO THE EXPORT EARNINGS OF THOSE COUNTRIES SUPPLYING THEM TO JAPAN. HOWEVER, PROGRAM IS ALSO CLEARLY AIMED AT SECURING DEPENDABLE SUPPLY FOR JAPAN OF COMMODITIES INVOLVED. MITI, PRIME MOVER BEHIND SCHEME, HAS EXPRESSED HOPE THAT PROGRAM WILL PREVENT FURTHER DECLINE IN JAPANESE IMPORTS AND KEEP COPPER IMPORTS AT 70 PERCENT OF LAST FISCAL YEAR'S LEVEL AND OTHER COMMODITIES AT 90 PERCENT LEVEL, BUT THIS MAY BE DIFFICULT IN LIGHT OF PRESENT HIGH INVENTORY LEVELS IN JAPAN. END COMMENT.

HODGSON

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